

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 SWF-01

CIEP-01 FRB-01 OMB-01 DRC-01 L-01 /034 W

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P R 172125Z OCT 74

FM AMEMBASSY LIMA

TO AMEMBASSY PORT AU PRINCE PRIORITY

INFO SECSTATE WASHDC 2396

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FOR AMBASSADOR FROM JURICH

E.O. 11652: N/A

TAGS: ETRDN EIND, PE

SUBJ: U.S./HAITI BILATERAL TEXTILE AGREEMENT

REF: PAUP 2016 AND 1987

1. FOLLOWING SHOULD SERVE AS TALKING POINTS FOR EMBASSY
WITH FOURCAND AND, AS APPROPRIATE, WITH TEXTILE INDUSTRY
LEADERS:

2. WITH SPECIFIC REGARD TO FOURCAND LETTER TO AMBASSADOR
(PAUP 1987):

A) PARA 7: USDEL REPEATEDLY ASSURED FOURCAND THAT
UNDER NEW AGREEMENT HAITI WOULD, OF COURSE, RETAIN ALL ITS
MFA RIGHTS INCLUDING RIGHT TO APPEAL TO TEXTILE SURVEILLANCE
BODY. THIS IS REFLECTED EXPLICITLY IN THE DRAFT FORMAL
AGREEMENT EMMANUEL LIPSCOMB OF COMMERCE BROUGHT TO HAITI
THIS WEEK.

B) PARA 6 (II): LIKEWISE, DRAFT FORMAL AGREEMENT
CONTAINS PARAGRAPH REGARDING HAITI'S RIGHT TO CONSULT
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WITH U.S. IF IT FEELS IT BEING PLACED IN INEQUITABLE

POSITION VIS-A-VIS THIRD COUNTRIES.

C) PARA 6 (I): USDEL ALSO ASSURED FOURCAND THAT
USG WOULD BE NEGOTIATING COMPREHENSIVE BILATERALS WITH
ALL OTHER ARA PRODUCERS WHOSE LEVEL OF TEXTILE EXPORTS
TO U.S. EQUAL TO OR ABOVE HAITI'S LEVEL. WE ARE IN THE
PROCESS OF DOING THIS ON AN ACCELERATED BASIS, BUT WE ARE
CERTAIN FOURCAND WILL APPRECIATE THAT USG CANNOT ACCEPT
HIS CONTENTION THAT GOH MUST DEFER SIGNING NEW BILATERAL
UNTIL EACH AND EVERY COUNTRY HAS SIGNED SIMILAR AGREEMENT.
FOURCANDS SHOULD BE ASSURED THAT GOH'S COMPETITORS WILL BE
COVERED ON TERMS NO MORE GENEROUS THAN THOSE ACCORDED HAITI
BUT THAT USG DOES NOT RPT NOT ACCEPT HIS NOTION THAT SIGN-
ING OF U.S./GOH BILATERAL MUST WAIT UNTIL THEM.

D) WE DO NOT FULLY UNDERSTAND MEANING OF PARA 8.
HOWEVER, FOURCAND SHOULD UNDERSTAND THAT LIFTING OF EMBARGO
AND GORGIVENESS OF PREVIOUS OVERSHIPMENTS WERE PARA AND
PARCEL OF PACKAGE DEAL BOTH SIDES NEGOTIATED AND WHICH CNA
ONLY BE IMPLEMENTED BY EXCHANGE OF FORMAL NOTES FOR NEW
MULTIFIBER BILATERAL. FYI - FAILURE TO EXCHANGE NOTES
REASONABLY SOON ON NEW AGREEMENT WOULD MEAN WE REVERT BACK
TO OLD BILATERAL AND CONSEQUENTLY PROBLEM OF OVERSHIPMENTS
WOULD REMAIN. END FYI.

3. WITH SPECIFIC REGARD TO PAUP 2016, THE EMBASSY
MAY, AS IT DEEMS USEFUL, MAKE THE FOLLOWING POINTS
TO THE INDUSTRY, AND, OF COURSE, PRIVATELY TO FOURCAND.

A) THE TERMS OF THE MEMORANDUM OF UNDERSTANDING
CAN BE QUOTE AMENDED ENDQUOTE UPWARDS. FYI - SOME
DOMESTIC U.S. TEXTILE INTERESTS HAVE EXPRESSED THEIR
BELIEF THAT THE TERMS WE NEGOTIATED ARE ALREADY TOO
GENEROUS, AND WHILE THY HAVE ACCEPTED THE TERMS AS NOW
WRITTEN, THEY WOULD STORNGLY RESIST ANY RENEGOTIATION.
END FYI.

B) USG CANNOT ACCEPT NOTION THAT OVERALL QUOTA WILL
THROW HATIANS OUT OF WORK.FOURCAND HIMSELF TOLD USDEL
THAT GH DOES NOT FORESEE HAITI FILLING NEW QUOTA IN FIRST
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AGREEMENT YEAR BECAUSE OF GENERAL MALAISE IN WORLD
MARKETS. MORE IMPORTANTLY, NEW QUOTA IS A 38 PERCENT
INCREASE OVER EXISTING COTTON AND MAN-MADE EXPORT LEVELS
TO U.S. AND THAT, COUPLED WITH SEVEN PERCENT ANNUAL GROWTH
AND VERY HIGH INTERFIBER FLEXIBILITY, GIVES HAITI AMPLE
ROOM FOR MORE THAN NORMAL GROWTH, REFLECTING BOTH THE
RECENT HAITIAN TEXTILE PERFORMANCE AND CAPACITY (BASED
ON U.S. AND GOH FIGURES) AND THE GOH'S OWN ESTIMATES AS

TO HOW THAT TRADE MIGHT BE RATIONALLY EXPECTED TO GROW OVER THE NEXT THREE YEARS. FURTHERMORE, USG HAS SENT LIPSCOMB TO HAITI TO ASSIST GOH, INTER ALIA, IN ESTABLISHING AN EXPORT CONTROL SYSTEM WHICH SHOULD HELP GOH TO ASSURE ORDERLY TEXTILE PRODUCTION THROUGHOUT EACH AGREEMENT YEAR. AS FOURCAND HIMSLEF RECOGNIZED, GOH HAS RESPONSIBILITY OF PROBIDING CLIMATE FOR ORDERLY, "EVENED-OUT" PRODUCTION AND MUST AVOID PEAKS AND VALLEYS OF OUTPUT. WE BELIEVE LIPSCOMB WILL HELP GOH ACHIEVE THIS GOAL BUT THE ULTIMATE RESPONSIBILITY FOR THIS IS THE GOH'S AND IS NOT CONNECTED IN ANY WAY WITH NEW BILATERAL.

C) WE BELIEVE MANUFACTURERS' CONCERN RE SEWING CONTRACTS GOING ELESWHERE IS ILL FOUNDED. AS THE 807 PRODUCERS KNOW, WHERE THEY LOCATE ABORAD IS A QUESTION OF WHERE THE PROFIT POTENTIAL IS THE HIGHEST NOT RPT NOT WHERE THE QUOTAS ARE LOWEST. TO ILLUSTRATE, THE MINIMUM DAILY WAGE IN HAITI IS \$1.30. IN THE DOMINICAN REPUBLIC, THE WAGE IS \$2.60 AND THE DR HAS NO QUOTA. YET, THESE MANUFACTURERS HAVE NOT GONE TO THE DR, NOR WILL THEY UNLESS HAITI'S MINIMUM WAGE APPROACHES THE DR'S. SECONDLY, THE OVERALL QUOTA WE NEGOTIATED IS AMPLE TO MEET THEIR REASONABLE EXPECTATIONS VIS-A-VIS THE U.S. AND THIRDLY, AS PARA 1 PAUP 2016 POINTS OUT, GOH CANNOT DEMAND US NOT RESTRAIN HATIAN TEXTILE EXPORTS WHEN WE HAVE OR SOON WILL HAVE RESTRAINT AGREEMENTS WITH AT LEAST TWENTY NATIONS HAVING SIMILAR LEVELS OF TEXTILE EXPORTS TO U.S.

4. FYI - WE BELIEVE THE 807 ISSUE IS SUCH A SENSITIVE ONE TO AMERICAN LABOR AND A GOOD PART OF THE AMERICAN TEXTILE INDUSTRY THAT ANY ATTEMPT BY AMERICAN ADN/OR HAITIAN 807 PRODUCERS TO PRESSURE USG TO RENEGOTIATE OR RECONSIDER THE MEMORANDUM WILL MEET STRONG OPPOSITION FROM LABOR, LIMITED OFFICIAL USE

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INDUSTRY, AND VERY LIKELY CONGRESS. AS INDICATED ABOVE, USDEL ALREADY UNDER SOME CRITICISM FOR MAKEING MEMORANDUM TOO GENEROUS, AND PRESSURE BY THE 807 PRODUCERS FOR INCREASED QUOTAS COULD RESULT IN COUNTER PRESSURES FOR REDUCED LEVELS SHOULD IT BE REOPENED. IN OTHER WORDS, THREATS BY THE 807 PRODUCERS TO QUOTE GO TO WASHINGTON ENDQUOTE COULD WELL BE HIGHLY COUNTERPRODUCTIVE. END FYI.

5. FINALLY, WE THOUGHT IT DECIDEDLY WAS IN THE INTEREST OF THE GOH AND THE HAITIAN ECONOMY NOTWITHSTANDING THE 807 SECTOR TO SO STRUCTURE THE NEW AGREEMENT TO PROVIDE AN INCENTIVE FOR THE DEVELOPEMNT OF THE INDIGENOUS HAITIAN TEXTILE INDUSTRY AND COUCURRENTLY THE OPPORTUNITY FOR THE GOH TO CONTROL THAT DEVELOPEMENT TO THE LONG TERM BENEFIT OF BOTH THE TEXTILE INDUSTRY AND THE HAITIAN ECONOMY AS A WHOLE.

WE BELIEVE THE AGREEMENT GIVES THE GOH THIS OPPORTUNITY.
DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA08821
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740296-0440
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741040/aaaabhpc.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: PAUP 2016 AND 1987
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by boyleja>; APPROVED <05 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S./HAITI BILATERAL TEXTILE AGREEMENT
TAGS: ETRD, EIND, US, HA
To: PORT AU PRINCE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005